

REMARKS

Double Patenting

The examiner rejected Claims 1-26 on the ground of non-statutory obviousness-type double patenting as being unpatentable over claims 1-18 and 20-34 of U.S. Patent No. 7,249,086.

Claims 1-12 were also provisionally rejected on the ground of non-statutory obviousness type double patenting as being unpatentable over claims 1-12, respectively of co-pending Application No. 10/077,182.

Applicants will consider the timely filing of a terminal disclaimer in compliance with 37 C.F.R. 1.321 (c) or 1.321 (d) to overcome the rejection upon an indication of allowable claims.

To date, the examiner has not indicated that any of the claims are in condition for allowance, but has kindly indicated suggestions to help advance prosecution.

35 U.S.C. § 101

The examiner rejected Claims 1 and 7 under 35 U.S.C. 101 as directed to non-statutory subject matter.

The examiner is referred to the office action for the complete text of the rejection. The examiner stated, in part: "Re Claims 1 and 7: The claims fail to provide a "useful result" because they can be read so broadly as to include statutory and nonstatutory subject matter." Applicants disagree. The claims are directed only to statutory subject matter because the claims only encompass actions that can only be performed by a computer.

The examiner further stated: "In both cases the claims are conclusory and merely state the goal be achieved. (See preemption discussion). The claims fail to provide a "concrete result" because they are not substantially repeatable and they cannot substantially produce the same result again." Applicants disagree. The claims produce a concrete result, namely the recording by the computer of "delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant."

The examiner further argues that: "In the case of claim 1, (a) The first limitation relies on actions by a person that may or may not happen (i.e., "delivering by a market participant...", (b) The second limitation (i.e., delivering a prescribed number of shares..." is dependent on an intended use/result (i.e., to account for cash that is owed by the agent to the participant) but an intended use/result is neither guaranteed or required to occur," Applicant disagrees. Nothing in either of these limitations rely on actions that may or may not happen. The first feature recites a positive step of: "recording by the computer, delivery ... of a creation unit basket of securities," whereas the second step sets forth the positive feature of: "recording by the computer, delivery of ... a second number of shares in the second fund to account for cash"

The examiner mixes bases for the rejection under 101 by arguing that: "(c) The claim is indefinite because the meaning of terms in the claim is unclear (e.g., substantially)." The term "substantially" in claims 1, 7, 12, 16 and 19 is not a relative term that would render the claims indefinite, but rather is a term that expresses a degree of tolerance and is therefore proper.

The examiner argues that: "In the case of claim 7, (a) The only limitation (i.e., determine a second number of shares...." is dependent on an intended use/result (i.e., to account for cash that is owed by the agent) but an intended use/result is neither guaranteed or required to occur. The limitation also relies on passive language that also not guaranteed or required to occur (e.g., to allow the agent to deliver a second number of shares) (b) The claim is indefinite because the meaning of terms in the claims are unclear (e.g., substantially)." Applicant disagrees because even in the instance where there is no cash owed, the computer still records that fact, namely that zero shares of the second fund were delivered.

The examiner argues that claim 1 is "(2) Not a proper method (i.e., process) claim." Claim 1 meets at least the first test as set out by the examiner, i.e., both of the steps are tied to another statutory class, a manufacture, by requiring recording by a computer, a particular apparatus. It also results in a transformation e.g., by the reasoning presented in *State Street* argued of record.

Unlike the situation in *Comiskey*, also relied on by the examiner, here the claims are tied to a particular machine, which was not the case in *Comiskey*.

The examiner also argues that: "Re Claim 1: At best, the method claim provides only a nominal recitation of another statutory class. As noted supra, a method claim is defined by the steps or acts performed. If that is the case, the only steps performed by the claimed method are "recording...." and "recording " In other words, the claimed method is just storing data." Applicant disagrees. Unlike the situation of mere descriptive material, the acts of "recording" and "recording" require the use of data that transform the state

of the computer by the very actions recited. The data recited in the claim are used in the context of a calculation, e.g., to ascertain the "prescribed number of shares." These calculations are discussed in the specification, but inclusion of any such exact calculations in the claims would unnecessarily narrow the scope of these claims because it would be easy for another system of another entity to perform this calculation and thus have infringers avoid direct infringement of the claims.

The examiner presents a principle that proscribes "Preemption." However the examiner has not explained how Applicant's claims preempt an idea, law of nature or natural phenomena. Clearly, the later two do not apply and the former, "idea," is inapplicable because of the presence of the computer.

The examiner also presents an argument of missing essential steps. The examiner argues: "For example, before any delivery can occur one must identify how they are getting a prescribed number of shares, a creation unit etc. Also, essential steps are missing. For example, the steps in the dependent claims such as calculating the amount of cash needed to be exchanged relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having already occurred in the independent claim." Again, the examiner requires features that only serve to narrow the scope of the claims without the examiner having produced any prior art that would require Applicant to narrow the scope of these claims. For instance, the step of calculation of the net asset value, is clearly a conventional step, that might be performed on a different system by a different entity, and thus allow the infringer to easily avoid any direct infringement of the claim.

With respect to claim 7, the claimed invention recites a single limitation of instructions to "determine a second number of shares in the second fund...." This limitation is not "the goal to be achieved" as the examiner argues, but rather is a calculation performed by the invention as claimed in claim 7. The remaining reasoning of the examiner was addressed above.

35 U.S.C §112

The examiner rejected Claim 1, 7, 12, 18 and 23 under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps.

Applicant notes that it is well settled that it is not necessary for the claims to recite every element needed for practical utilization of the claimed subject matter in order for a claim to be proper under 35 U.S.C. §112, second paragraph, *Bendix Corp. v. United States*, 600 F.2d 1364, 1369, 204 U.S.P.Q. 617, 621 (Court of Claims, 1979). It is not the role of the claims to enable one skilled in the art to reproduce the invention, but rather to define the legal metes and bounds of the invention. *In re Geoffe*, 526 F.2d 1393, 1397, 188 U.S.P.Q. 131, (CCPA, 1975). The claims need not provide all operating details but a method claim should recite a positive step. *In re Erlich*, 3 U.S.P.Q. 2d 1011 (Bd. Pat. App. & Int., 1986).

Applicants have set forth the subject matter of their invention, as required by 35 U.S.C. 112, second paragraph. Applicants note that the examiner has not found any prior art that would necessitate a narrowing of the scope of claim 1, as will be set forth *infra*.

One skilled in this art would be capable of appreciating the metes and bounds of this claim and to understand what Applicants consider to be their invention, which is what is required by 35 U.S.C. 112, second paragraph. Therefore, this rejection is improper and should be removed.

The examiner argues that claims 1, 7, 12, 18 and 23 are “conclusory without identifying the process necessary to arrive at that conclusion. Applicants disagree. The claims do not recite “conclusions,” but recite a combination of features used in producing the shares in the product. The questions raised by the examiner, e.g., prescribed number of shares are addressed in the specification and are not specifically needed to distinguish over the prior art.

The examiner argues: “Regarding claims 1, 7, 12, 18 and 23 the claims make reference to intended use/intended results without giving any life or meaning to these statements in the claims. Also, the claims recites language that is passive in the claim because it could be done but, does not have to be done” Applicants disagree. Terms that the examiner has problems with, for instance, “to account for a cash amount owed ” are clearly described in the specification and a calculation of that feature is not needed to distinguish these claims over the prior art. However, these terms are not intended use language because they are part of a calculation needed to have the shares/creations units equate.

The examiner also argues that: “In claims 1, 7, 12, 18 and 23, the dependent claims rely on certain steps and or elements that fail to occur in the independent claims (e.g., net asset value/value.” Applicants respond that it

is not necessary for these claims to recite these "steps," in order for the claims to distinguish over the cited art. Moreover, these steps need not be performed by the actor that performs the underlying features of the independent claims.

The examiner also argues that: "In claim 1, the preamble is drawn to a method of producing a financial product but the claimed invention fails to accomplish that result. How is the financial product produced?" Applicants respond that claim 1 is drawn a method of producing shares, claims 7 and 18 computer programs for administering a first financial product, claim 12 a system, and claim 23 a method for administering. The preambles of the respective claims are consonant with the features recited in those claims.

The term "substantially" in claims 1, 7, 12, 16 and 19 is not a relative term that would render the claims indefinite, but rather is a term that expresses a degree of tolerance and is therefore proper. The term substantially is measured by the degree of arbitration that is desired by the market. That is, Applicant describes that ideally, the creation unit basis of each fund should be the same. "Substantially" allows for some flexibility in that basis as would be appreciated by one skilled in the art. For instance, many financial prospectuses often make allowance for minor variations in composition of index funds from the underlying index.

The examiner also argues that: "Claims 2, 4-6, 8, 10-11, 13, 15-17, 19, 21-22 and 24-26 recite the limitation "cash", "cash amount" etc. Is this the cash amount owed? The cash amount needed? Or is it some other cash amount?" Claim 2, for instance, introduces calculating the amount of cash needed to be exchanged. That calculation indicates cash is owned by the participant to the agent or by the agent to the participant, as expressed in the second to last line of claim 2.

The examiner also argues that: Claims 2, 8 and 13 recite the limitations "the net asset value of the second fund" and "the second country". There is insufficient antecedent basis for these limitations in the claims. Applicants contend that there is sufficient antecedent basis in claim 1, which recites second, different country for "second country" as recited in claim 2.

Regarding Claims 4, 10, 15 and 25, the features of "value," could be a value or net asset value, as appropriate.

The examiner argues that: "Claim 12 recites the limitation "record the number of shares issued in the first financial product". This is indefinite because no shares where issued as a part of the claimed invention, it is thus

unclear what shares are recorded. Applicants disagree. The feature of instructions to record the number of shares is sufficient to account for issuance of the shares.

35 U.S.C § 103

The examiner maintained the rejection of Claims 1, 2, 4-8, 10-13, 15-19 and 21-26 under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of "Exchange traded funds—the wave of the future ?," by Stuart M. Strauss.

The examiner argues:

Re Claim 1: Gastineau discloses a method of producing shares of a first fund, which are that is traded on a first marketplace, the method executed on a computer, the method comprising:

recording by the computer, delivery by a market participant to an agent for the first fund, of a creation unit basket of securities having a creation unit basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country than that of the first fund (Gastineau, [0001] [0002] [0003] [0004]);

Gastineau fails to explicitly disclose:

recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.

Strauss discloses:

recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.(Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a method further comprising recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Applicants disagree. Claim 1 calls for "...recording by the computer, delivery ... of a creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country than that of the first fund; and recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit

basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.” Gastineau neither describes nor suggests these features.

Gastineau discloses conventional creation unit basis for production of exchange traded funds. Take for instance, the S&P 500 depository receipts (SPDR's). These are instruments that are traded in the US based on a trust that is in the US and uses an index that is calculated in the US at close of trading in the US. Gastineau does not suggest both a first fund with a creation unit basket of securities that is substantially the same basis as a creation unit basis for a second fund traded on a second marketplace in a second, different country.”

That is, Gastineau does not have any suggestion of, e.g., a trust or a fund, in, e.g., Europe that is based on the S&P 500 (SPDR's) traded in the US, which in the context of claim 1, would be an example of the “first fund.” Gastineau merely provides teachings for the “second fund” in the context of claim 1.

The examiner has failed to explicitly point out where Gastineau discloses both the first fund and the second fund, as claimed in claim 1, despite repeated requests by Applicant.

The examiner acknowledges that: **Gastineau fails to explicitly disclose: delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant. Applicants agree that Gastineau neither describes nor suggests this claimed feature.**

The examiner uses Strauss to teach the later feature of claim 1. Strauss teaches for instance “Redemption proceeds include the Fund Securities plus cash in an amount equal to the difference between the NAV of the Shares being redeemed and the value of the Fund securities. 10 If the value, however, of the Fund Securities is greater than the NAV of the Shares, a cash payment equal to the differential must be paid to the ETF.” Strauss does not cure any of the deficiencies in Gastineau regarding teaching of the first fund and the second fund, traded in a second, different country from that of the first fund.

Moreover, Strauss does not suggest the latter feature of claim 1. Strauss does not suggest “recording ... delivery of ... shares in the first fund to the market participant ... and a second number of shares in the second fund to account for cash” Strauss merely describes the convention delivery of deliver cash, not shares in the second fund to account for the cash.

Indeed, no combination of Gastineau and Strauss teach both the first fund and the second fund, in the claimed relationship. Therefore, the combination of references inherently could not suggest the feature of recording delivery of the shares in the first fund and delivery of the shares in the second to account for cash because only one of those funds are taught by the combined teachings of Gastineau and Strauss.

Accordingly, Gastineau and Strauss taken together neither describe nor suggest claim 1.

Claim 7 is allowable over Gastineau and Strauss for analogous reasons as set out above.

Claim 12 similarly distinguishes over Gastineau and Strauss as discussed for claim 1 and claim 7, there being no intended use statements in the claim.

Claim 18

Claim 18 is allowable over Gastineau and Straus since no combination of these references either describes or suggests ... instructions ... to record creation of the first exchange-traded fund, ... having a prescribed number of shares for trading in a first country, ... produced by delivery to ... of a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second, different country.

As with claim 1 above, Gastineau neither describes nor suggests first exchange-traded fund ... produced by delivery ... of a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund ... traded on a second marketplace in a second, different country.

In addition, no combination of these references suggests instructions to "determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant ... and record the prescribed number of shares ... to account for cash.

Claim 23 is allowable over Gastineau and Strauss for analogous reasons as in claim 18.

Dependent claims are allowable at least for the reasons discussed in conjunction with their respective independent claims and reasons of record.

The examiner provided the following additional discussion. **Applicant argues the term "substantially" is not indefinite. Define explicitly on the record the scope and degree of "substantially" and indicate**

exactly where in the specification support can be found and/or support for how one of ordinary skill in the art would interpret the term. Applicants have done so above and of record.

Supplemental arguments

The examiner furnished the following supplemental arguments (provided in **Bold**. See Office action for complete text of the examiner's remarks).

The claimed invention would have been obvious to one of ordinary skill in the art. The concept of exchange-traded funds was old and well-known at the time the invention was made. See citation *supra* for Gastineau. In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and well-known that this purchase and redemption occurred at net asset value. See citation *supra* for Strauss." Applicants contend that while Gastineau teaches SPDR's and a hedging vehicle for trading actively managed funds, Gastineau does not teach that there is any relationship between them that would suggest that they are traded in different countries and have the same (or nearly the same) creation unit basis, and when the net asset value is calculated at the same time, the shares in the first and second fund are arbitragable. The examiner also argues that: "It is noted that this is also obvious in light of the teachings of Gastineau and Strauss. This is also a type of in-kind exchange that is common in fields related to bartering, trading and exchanges. The idea that something (i.e., usually other than money) that is an equivalent or near equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else." Applicant responds that when the invention is taken as a whole and this specific feature is considered, namely "delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant," it is not apparent that known techniques of e.g., barter can be applied to the feature and combined with references that do not suggest any of the features of the claim to suggest the claim as a whole.

The examiner argues that: "The concept of in-kind purchase and redemption with respect to exchange-traded funds was old and well-known at the time the invention was made." Applicants do not understand what this statement has to do with the claimed subject matter. The examiner argues that: "**In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and well-known that this purchase and redemption occurred at net**

asset value. See citation *supra* for Strauss.” Applicants again point out that this statement is not relevant to the claimed subject matter.

The examiner argues that: This¹ is also a type of in-kind exchange that old and well-known in fields related to bartering, trading and exchanges. Applicants disagree and request that the examiner furnish documentary evidence that in the context of exchange traded funds that the feature “... a number of shares in the second fund to account for a cash amount owed ...” is old and well known, because this is neither apparent from any of the cited art nor from the examiner's reasoning.

The examiner also argues that:

Re claims 1-2, 4-8, 10-13, 15-19 and 21-26: Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art. Thus, the claimed subject matter likely would have been obvious under KSR. KSR, 127 S.Ct. at 1741, 82 USPQ2d at 1396.

Automation

The examiner also advanced the following:

“It is not 'invention' to broadly provide a mechanical or automatic means to replace manual activity which has accomplished the same result. *In re Venner*, 120 USPQ 192 (CCPA 1958) *In re Rundell*, 9 USPQ 220.” Applicants do not disagree with this statement, but stress that the features of the independent claims are not “manual activity which has accomplished the same result.” Rather, the features are novel and non-obvious for the reasons discussed above. Moreover, the examiner has not shown that the “manual activity” was known in the art before the claimed invention.

Intended use

See discussion above and of record

¹ Applicants assume that this refers to (creation unit basis between the first fund and the second fund are the same (or nearly the same) and when the net asset value is taken at the same time, that shares in the second fund could also be used).

Hindsight

Applicants requests that the examiner specifically point out where in the prior art the examiner finds the “knowledge” of: “a first fund ... trading in a first country... having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country and ... delivery ... of shares in the second fund to account for a cash amount owed”

Applicants submit that it is only after gleaning knowledge from applicants' claims and teachings that the examiner can fashion such an argument. Applicants are aware that any rejection is in some fashion an application of hindsight, but Applicants contend the examiner has used improper hindsight because the examiner has not found teachings in the references that either describe or suggest the claimed features and instead has resorted to misinterpretations of these teachings and arguments that are not based on the teachings of the references.

Therefore, the examiner has not taken into account only knowledge which was within the level of ordinary skill at the time the claimed invention was made, but instead used knowledge gleaned only from the applicant's disclosure and/or claims, in contravention of *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971).

Documentary Evidence

The examiner disagrees with applicants' assertion that a rejection was made on the basis of Official Notice, and points to support in Strauss supra, as first noted in the office action 07/24/07, and the references made of record. Applicants contend that these references do not provide the requested documentary support. Applicants' repeated requests for such documentary evidence, which the examiner has not satisfied, leads to the conclusion that the support does not exist.

It is believed that all the rejections and/or objections raised by the examiner have been addressed.

In view of the foregoing remarks, applicants respectfully submit that the application is in condition for allowance and such action is respectfully requested at the examiner's earliest convenience.

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Page : 20 of 20

Attorney's Docket No.: 09857-0073001

All of the dependent claims are patentable for at least the reasons for which the claims on which they depend are patentable.

Canceled claims, if any, have been canceled without prejudice or disclaimer.

Any circumstance in which the applicants have (a) addressed certain comments of the examiner does not mean that the applicants concede other comments of the examiner, (b) made arguments for the patentability of some claims does not mean that there are not other good reasons for patentability of those claims and other claims, or (c) amended or canceled a claim does not mean that the applicants concede any of the examiner's positions with respect to that claim or other claims.

No fee is due. Please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

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